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July 9, 1996

EX PARTE OR LATE FILED

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

RE: Ex Parte Meeting  
CC Docket No. 96-45

RECEIVED  
JUL - 9 1996  
Federal Communications Commission  
Office of Secretary

Dear Mr. Caton:

On Tuesday, July 9, 1996 Mr. Michael Pelcovitz of MCI, Mr. Joel Lubin, Mr. Mark Lemler and I of AT&T, met with Ms. Kathleen Levitz, Mr. Kenneth Moran and Mr. Timothy Peterson of the Common Carrier Bureau to discuss the Hatfield Cost Model originally filed by AT&T under CC Docket No. 96-98 on May 16 and 30, 1996. Subsequently filed with results under the above referenced docket on June 7, 1996 by MCI; and again by MCI on July 5, 1996 per Ms. Levitz's request. The attached documents were used as a base for our discussion.

Two copies of this Notice and attachments are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(2) of the Commission's rules.

Sincerely,

*Bruce K. Cox*

**Attachments**

cc: K. Levitz  
K. Moran  
T. Peterson

No. of Copies rec'd 022  
LH: ARDDE



# Calculating the New Universal Service Fund

## Tier 1 LECs

- ♦ Economic Subsidy
- ♦ Optional State Economic Subsidy
- ♦ Low Income Subsidy
- ♦ Recovery of Subsidy

## **Economic Subsidy (Tier 1)**

= TSLRIC minus the higher of the Nationwide  
Affordable Rate or the Current Residence  
Basic Local Service Rate

# Economic Subsidy (Tier 1)

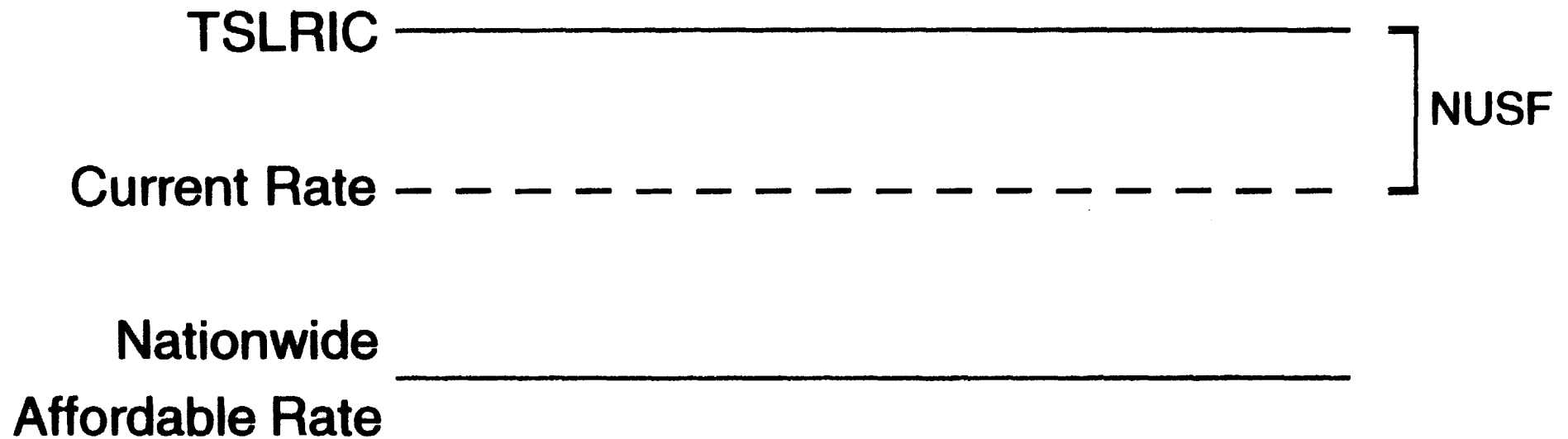
*No subsidy*

Current Rate -----

TSLRIC \_\_\_\_\_

# Economic Subsidy (Tier 1)

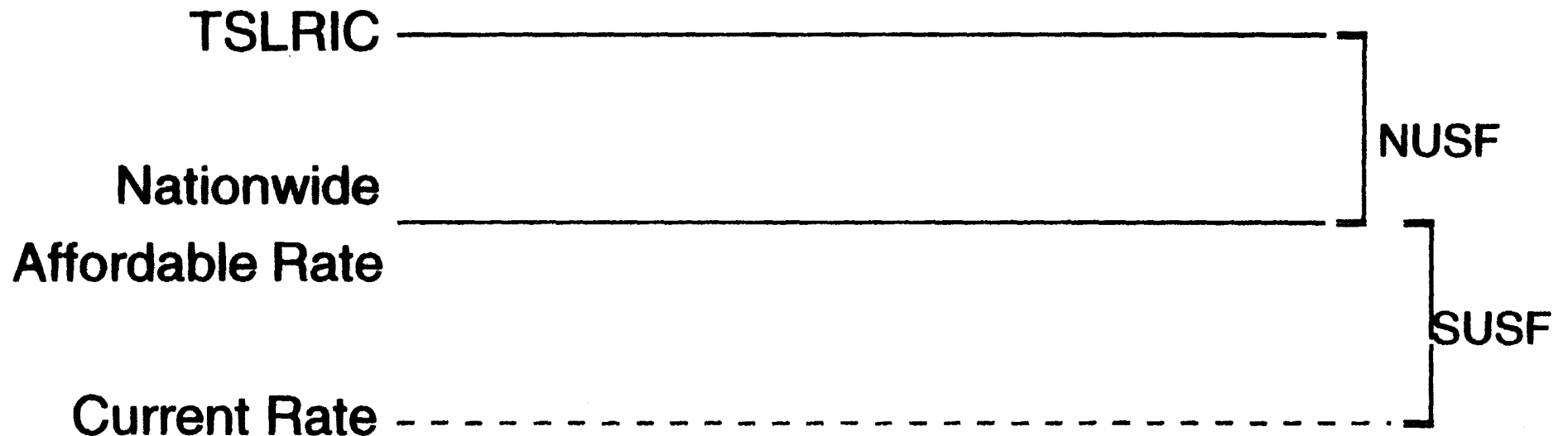
*Subsidy*



*NUSF - Surcharge on Total Retail (State & Interstate) Service*

# Optional State Economic Subsidy (Tier 1)

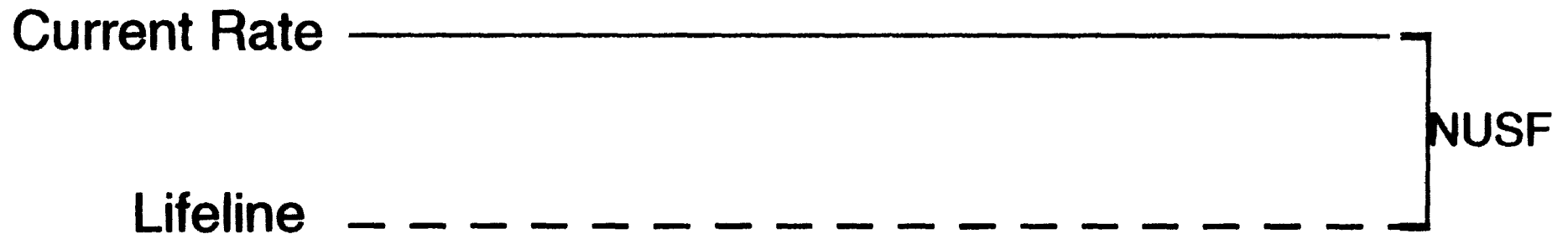
= Nationwide Affordable Rate minus State  
Commission specified Basic Local Service Rate



*SUSF Funded Through Surcharge on State Services*

## **Low Income Subsidy (Tier 1)**

= State Commission specified Basic Local Service  
Rate minus Low Income Affordable Rate



**UNBUNDLED ELEMENTS/UNIVERSAL SERVICE REFORM****ASSUMED VALUES**

<b>RBOC/LEC Switch=</b>	<b>1</b>
<b>Vertical Services Switch=</b>	<b>0</b>
<b>Total Res Lns (M)</b>	<b>98.39</b>
<b>Total Bus Lns (M)</b>	<b>36.42</b>
<b>Retail Revenues (\$M)</b>	<b>\$148,154</b>
<b>Intrastate Retail Revenues (\$M)</b>	<b>\$88,238</b>
<b>Local Revenues (\$M)</b>	<b>\$63,983</b>
<b>Intrastate Retail - Local Revenues (\$M)</b>	<b>\$29,475</b>
<b>Delta SLC/Mo</b>	<b>\$0.00</b>
<b>Delta Cost of Capital</b>	<b>0.00%</b>
<b>Delta Variable Overhead</b>	<b>0.00%</b>
<b>Tax Factor</b>	<b>40.00%</b>
<b>National Affordable Local Rate/Mo</b>	<b>\$20.00</b>
<b>Weighted Average Vertical Service Rev/Mo</b>	<b>\$0.00</b>
<b>Yellow Pages Earnings (\$M)</b>	<b>\$2,000</b>
<b>Cellular License Value (\$M)</b>	<b>\$1,000</b>
<b>Aggregate Overearnings (\$M)</b>	<b>\$1,072</b>



UNRECORDED ELEMENTS/UNIVERSAL SERVICE REPORT									
SCENARIO									

SUM OF MAJOR LEC BY STATE

REVENUE (CASH/INVENTORY/RENTAL/PROPERTY/UNIT COST)									
Total	Less Office Property	Less	Less	Less	Less	Less	Less	Less	Less
Less	Less	Less	Less	Less	Less	Less	Less	Less	Less
\$10.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00

6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

